

NOTE TO USERS OF THE COLLECTION REPORT.

The tables accompanying the July 10 collection report were not available in time to include with the internet version of the collection report. To receive a copy by fax or mail, please contact the Office of the Forecast Council at (360) 586-6785.

July 11, 1999

TO: Senator Snyder, Chair
Senator McDonald
Representative Dunshee
Representative Thomas
Fred Kiga, Director, DOR
Dick Thompson, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: JULY 10, 1999 REVENUE COLLECTION REPORT

General Fund-State collections totaled \$1,013.5 million in the June 11 - July 10 collection period. Receipts were \$43.3 million below the estimate, however, most of the shortfall is related to a special factor and will be recouped next month. This month's estimate assumed payment of a large assessment in June. This payment was delayed but should be made in the next week or so. Excluding this special factor, the shortfall this period was only \$8.3 million. Revenue Act collections, the state's major excise taxes (sales, use, B&O, public utility and tobacco products) were slightly above the estimate excluding the impact of the assessment. However, weaker than expected estate, property, motor vehicle excise and lottery General Fund transfers, more than offset the stronger in Revenue Act receipts. Despite the shortfall, collections for the current period indicate that the current economic and revenue forecast is pretty much on track.

Although Revenue act receipts in the June 11- July 10 collection period (primarily reflecting May 1999 business activity of monthly taxpayers) were \$30.8 million below the estimate for the month, collections were \$4.2 million above to the estimate for the month excluding the impact of a large assessment. The \$35 million assessment payment expected in mid June should be paid in the next few days, although the amount will be closer to \$29 million. Revenue Act growth (adjusted for the impact of legislation, large assessment payments, refunds etc.) improved a little this month, with receipts up 5 percent from a year-ago. Revenue growth is better than last month but is a little weaker than in the first quarter. Economic news is mixed but is consistent with the June 1999 forecast. Nationally, employment increased in June, consumer spending continued to increase at an unsustainable rate and interest rates are a little higher. At the state level, employment growth continues to slow. Although performance in one month is hardly sufficient to gauge future performance, at this point, Revenue Act collections are behaving as expected in the June forecast

Preliminary data on taxes paid during the June 11- July 10 collection period indicate moderate but slowing growth. Growth was strongest in the heavy construction, transportation, utilities and communications and the retail trade sectors. The manufacturing and services sectors were weak. Within retailing, the furniture and household equipment sector posted a double-digit increase in tax payments, however, for the first time in three months the increase in the auto sector was only single-digit. The weakness in manufacturing comes after a strong showing last month and a lot of the weakness in the service sector is due to the reduction of the B&O tax on most service activity.

Non Revenue Act General Fund receipts collected by the Department of Revenue were \$4 million below the forecast in June. Property tax collections were \$5.1 million less than expected and estate tax payments were \$4.6 million below the estimate. The property and estate tax shortfall was partially offset by higher than expected cigarette tax (\$1 million), real estate excise (\$1.1 million) and unclaimed property transfers (\$3.3 million). Last month property tax receipts were more than \$8 million above the estimate. It was assumed that most of this variance would be offset in future months. In June we revised the forecast assuming that about half of the positive variance as of May would be lost in June. June property tax payments in fact wiped out the entire \$8 million variance, resulting in a shortfall this month based on the revised June forecast. Estate tax receipts continue to be weaker than expected. Although the estate tax forecast for fiscal 1999 was reduced \$6.5 million in June, the reduction was not enough. Fiscal 1999 estate tax payments were 15.6 percent below those in 1998, despite an increase of more than 9 percent in the number of returns filed. The average taxable value of estates in 1999 were 22 percent less than in 1998, primarily due to the much smaller number of very large estates filing this year. Real estate excise activity continues to grow modestly. Closings in May (reflecting real estate excise payments to the state in June) were up 6.6 percent. Transactions were up 1 percent while the value per transaction was up 5.5 percent. For the first five months of calendar 1999, real estate activity statewide is 6.6 percent above the year ago level. May's activity was stronger in metropolitan areas with activity up 8.4 percent while declining 7.1 percent in non-metro areas. Although for the year-to-date non-metro areas have done better, with a year-over-year increase of 16.1 percent versus 5.9 percent for metro areas. Real estate activity should start to cool as the impact of higher mortgage rates begins to take hold.

Other agencies' collections were \$8.3 million below the forecast in June. Department of Licensing collections (primarily motor vehicle excise tax receipts) were \$1.3 million below the estimate while the Lottery Commission's General Fund transfers were \$7.1 million lower than expected.

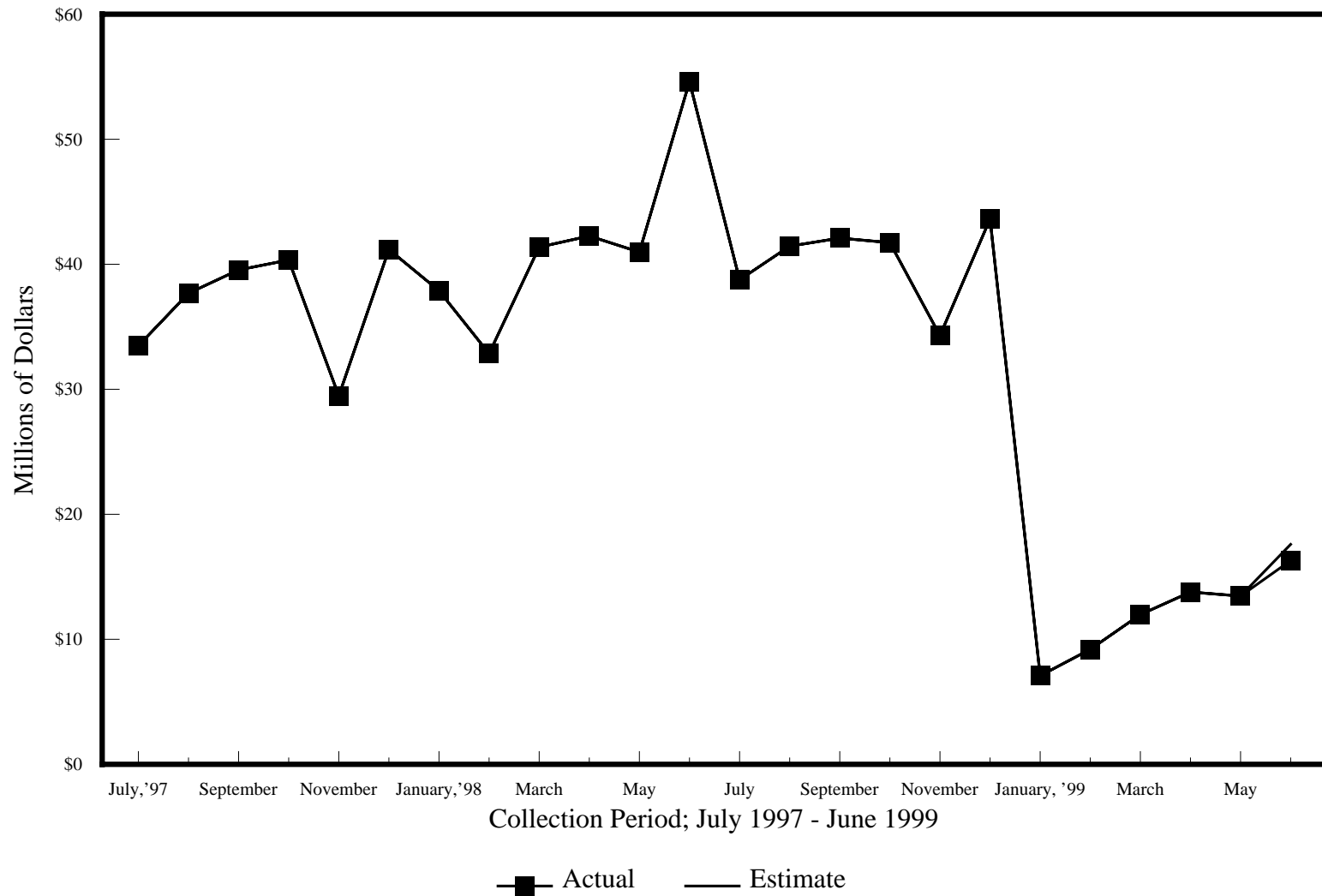
The attached Table 1 provides a comparison of collections with the June forecast for the June 11 July 10, 1999 collection period. The variance for the month and the year-to-date are virtually identical in Table 1 because the June monthly estimates have been adjusted to reflect actual collections through June 10, 1999. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

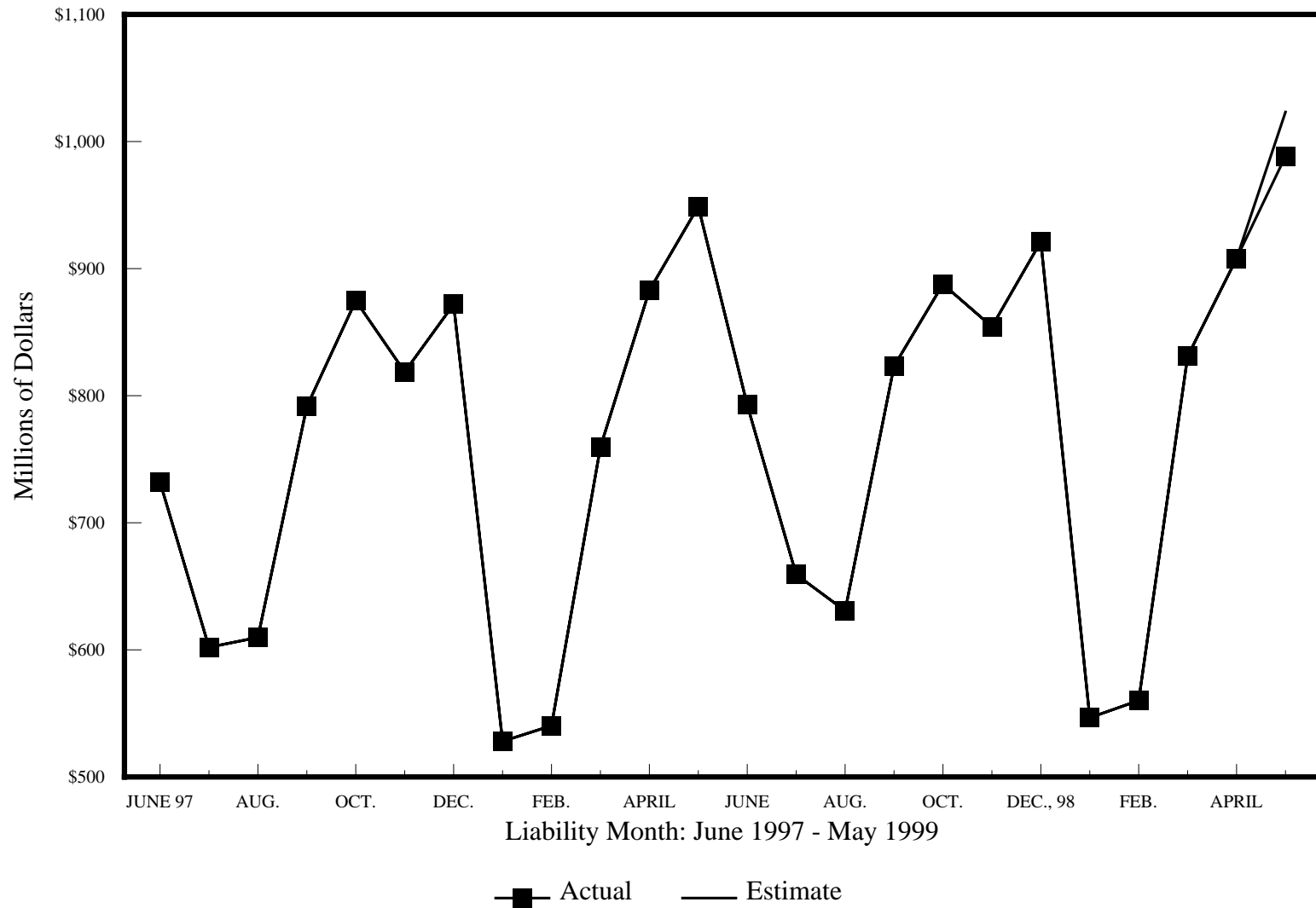
Dept. of Licensing: General Fund - Actual Vs. Estimate

1997-99 Biennium - June 1999 Forecast



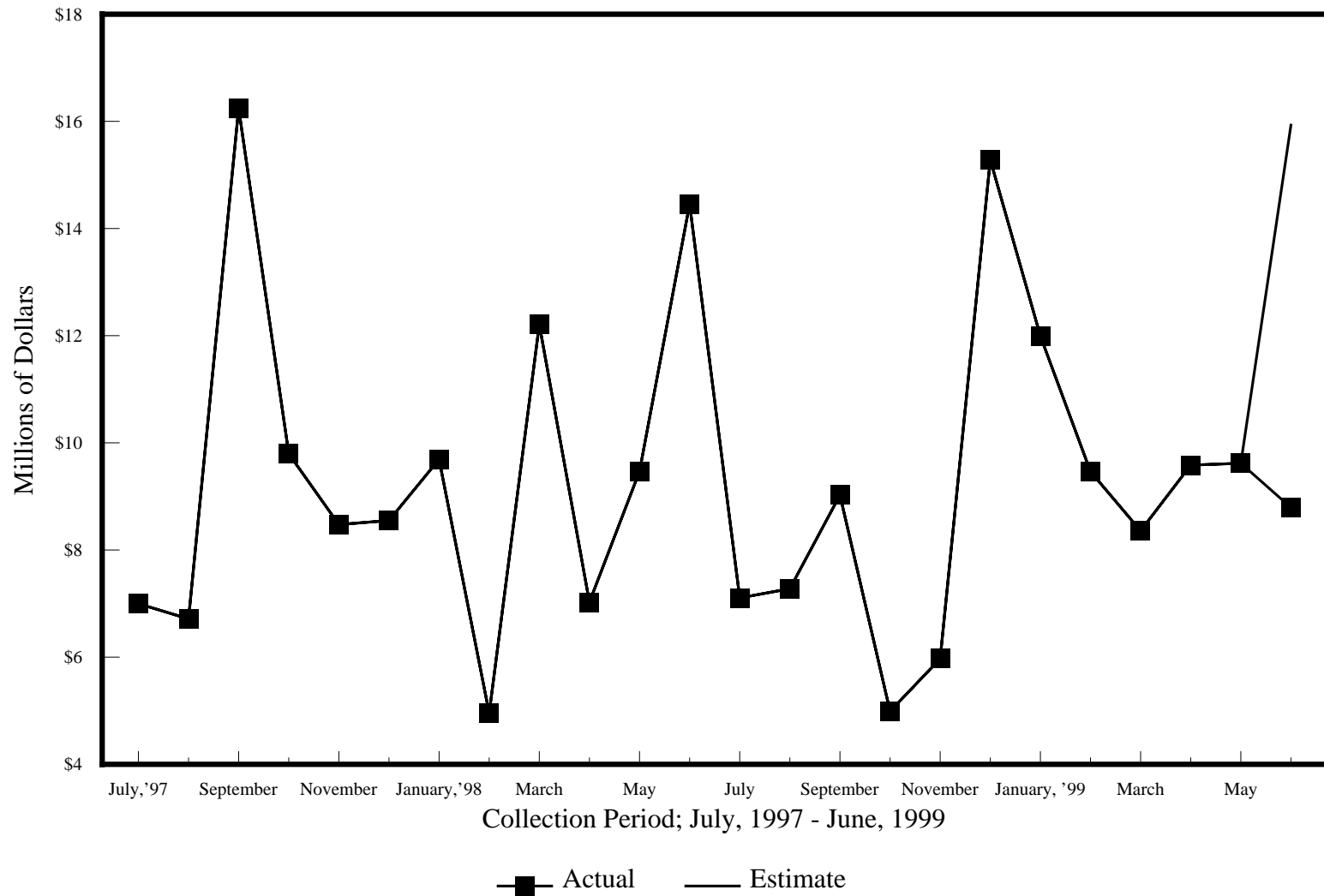
Department of Revenue - General Fund: Actual Vs. Estimate

1997-99 Biennium - June 1999 Forecast



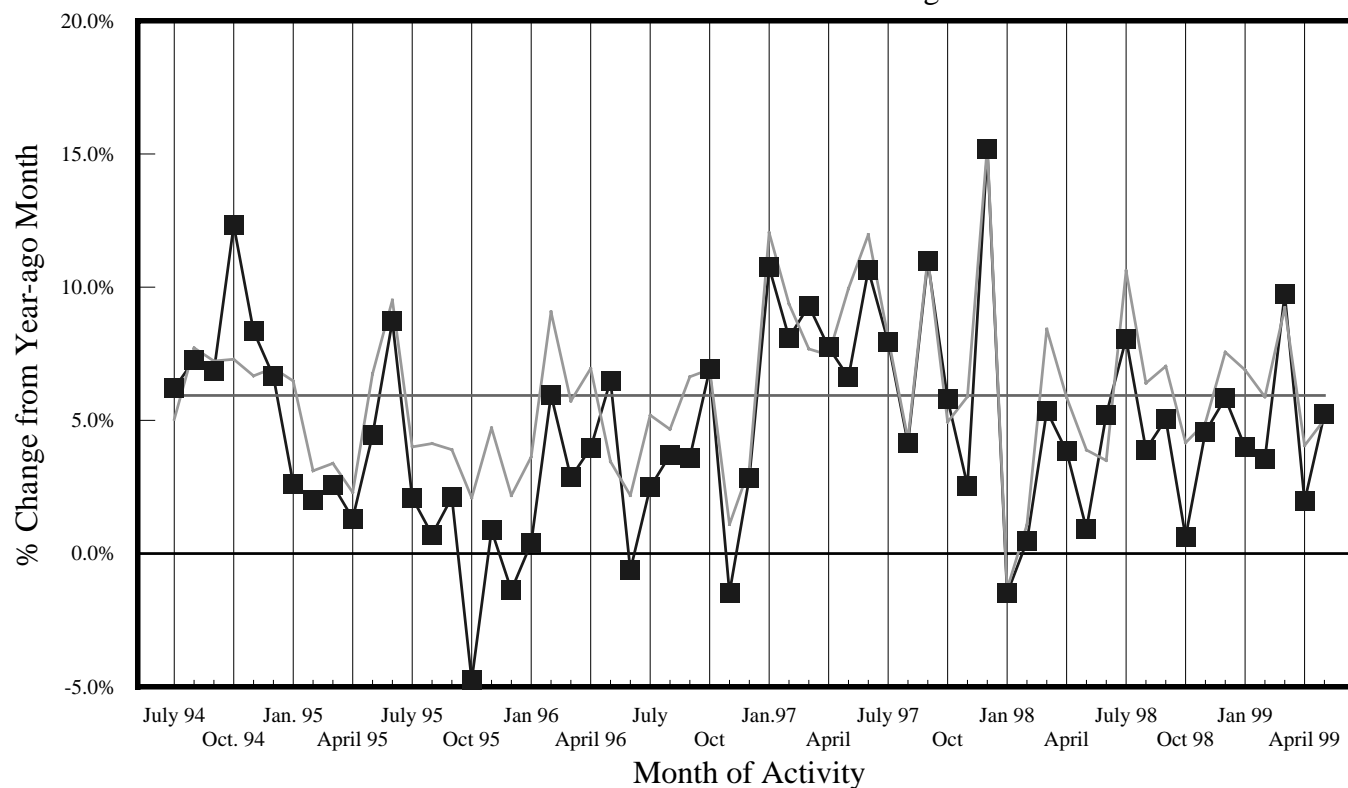
Lottery General Fund Transfers: Actual Vs. Estimate

1997-99 Biennium - June 1999 Forecast



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj. for Legislation)

— % Change from year-ago, adjusted for large audits & legislation